



Military Moving Expenses





About Military Moving Expenses

- Additional resources listed in L< “References” tab
- Review all tips and cautions in the lesson
- Read all examples and sample interviews
- We will review answers to each exercise



Objectives – Military Moving Expenses

Determine:

- If a move qualifies as a permanent change of station (PCS)
- Which moving expenses are deductible
- When allowances and reimbursements must be included in income
- Time Required: 45-75 minutes

Topics



- Permanent Change of Station
- Deductible Moving Expenses
- Reimbursements
- Reporting Moving Expenses



Key Terms

Definitions are always available in the L< online Glossary.

- Cash Method
- DITY Move
- PCS
- Travel Expenses

Permanent Change of Station

- Only military moving expenses incurred as a result of a permanent change of station (PCS) may be deductible
- What is a PCS?
 - A move from home to the area of the first post of duty
 - A move from one permanent post of duty to another
 - A move from the last post of duty to home or to a nearer point in the U.S.
- If the Armed Forces moves a service member and spouse/dependents to or from separate locations, the expenses are combined and treated as a single move

Adjusted Gross Income	23	Reserved	23		
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24		
	25	Health savings account deduction. Attach Form 8889	25		
	26	Moving expenses. Attach Form 3903	26	2000	00
	27	Deductible part of self-employment tax. Attach Schedule SE	27		
	28	Self-employed SEP, SIMPLE, and qualified plans	28		
	29	Self-employed health insurance deduction	29		
	30	Penalty on early withdrawal of savings	30		
	31a	Alimony paid	31a		
	31b	Resident's SSN	31b		



Deductible Moving Expenses

- Qualifying military moving expenses include the cost of:
 - Moving household goods and personal effects
 - Reasonable travel and lodging expenses from the old home to the new home
- Qualifying deductible expenses are those that exceed government allowances and reimbursements
- Non-deductible moving expenses include costs of stopovers and side trips that are not the shortest, most direct route from the former home to the new home



Reimbursements

- The Armed Forces often provides an incentive payment equal to 95% of the government's estimated cost for a Do It Yourself (DITY) move
- When the move is completed, the service member provides receipts to show authorized expenses
- Payments or reimbursements greater than qualified expenses is net profit, which is taxable and reported on a Form W-2
- DITY payments are entered as income on Form 1040, line 7
- What are examples of items included in gross pay and what are excluded items from gross pay ([Pub 4012, Adjustments tab, Armed Forces Gross Income](#))

Reporting Moving Expenses

- If service members have expenses that exceed the amount they were reimbursed, they should complete [Form 3903](#) , Moving Expenses
- Taxpayers can deduct their moving expenses in the year the expenses were paid or the year they were reimbursed
- For more information, see [Pub 521](#), Moving Expenses

Form 3903		Moving Expenses		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service (99)		▶ Information about Form 3903 and its instructions is available at www.irs.gov/form3903 . ▶ Attach to Form 1040 or Form 1040NR.		2014 Attachment Sequence No. 170
Name(s) shown on return				Your social security number
Before you begin: ✓ See the Distance Test and Time Test in the instructions to find out if you can deduct your moving expenses. ✓ See Members of the Armed Forces in the instructions, if applicable.				
1	Transportation and storage of household goods and personal effects (see instructions)	1		
2	Travel (including lodging) from your old home to your new home (see instructions). Do not include the cost of meals.	2		
3	Add lines 1 and 2	3		
4	Enter the total amount your employer paid you for the expenses listed on lines 1 and 2 that is not included in box 1 of your Form W-2 (wages). This amount should be shown in box 12 of your Form W-2 with code P	4		
5	Is line 3 more than line 4? <input type="checkbox"/> No. You cannot deduct your moving expenses. If line 3 is less than line 4, subtract line 3 from line 4 and include the result on Form 1040, line 7, or Form 1040NR, line 8. <input type="checkbox"/> Yes. Subtract line 4 from line 3. Enter the result here and on Form 1040, line 26, or Form 1040NR, line 26. This is your moving expense deduction	5		
For Paperwork Reduction Act Notice, see your tax return instructions.				

Cat. No. 12490K Form **3903** (2014)



Summary

This lesson covered:

- Types of military moves that qualify for tax benefits
- What kinds of moving expenses are deductible
- How to use Form 3903 to compute moving expense deductions
- Moving expenses are deducted as an adjustment to income on Form 1040, line 26

Practice

- Select the practice exercise for reporting military moving expenses
- Complete the exercise



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VITA/TCE Problems and Exercises **2014 RETURNS**
Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)

